

PSRS

Retired Members | OCTOBER 2015

Benefit Check

PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI

January 2016

COLA Set at 2%

Well-Managed
Public Pensions –
What You Don't
Hear About in
the News

Don't Jeopardize
Your Benefits!
Know and Follow
the Limits on
Post-Retirement
Employment

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PUBLIC SCHOOL RETIREMENT
SYSTEM OF MISSOURI

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PSRS Benefit Check is published by the Public School and Education Employee Retirement Systems of Missouri.



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Eligible Public School Retirement System of Missouri (PSRS) benefit recipients will receive a 2% cost-of-living adjustment, or COLA, on monthly benefits beginning with the January 29, 2016 benefit payment.

The PSRS/PEERS Board of Trustees set the COLA during their August 31, 2015 meeting.

COLAs help your retirement income keep pace with the cost of living during times of inflation. According to Missouri law, PSRS bases COLAs on the Consumer Price Index for Urban Consumers (CPI-U). According to the U.S. Bureau of Labor Statistics, the CPI-U, or the rate of inflation, from July 1, 2014 to June 30, 2015 was .12%.

How COLAs are Determined

The Board follows the guidelines set in Missouri law when determining COLAs. In addition, COLAs are determined according to the Funding Stabilization Policy adopted by the Board in August 2011. This policy has helped stabilize contribution rates and improve the pre-funded status of the Systems, while also providing inflation protection for benefit recipients.

January 2016 COLA Set at 2%

“The Board understands the importance of COLAs to our membership,” said Board Chairman Aaron Zalis. “We are pleased that even in difficult economic times our funding policy provides inflation protection to our retirees.”

Under this policy and Missouri law, the COLA can range between 0% and 5%, and is based on the change in the CPI-U for the preceding fiscal year (July 1 to June 30). For the 2014-2015 fiscal year, the CPI-U was .12%, so the January 2016 COLA is 2%.

Funding Stabilization Policy	
Change in CPI-U	COLA
0% or less	0%
Between 0% and 5%	2%
5% or more	5%

Who is Eligible for COLAs?

PSRS service and disability retirees are eligible for COLAs on monthly benefits beginning the **second** January following their retirement date. For example, a PSRS member who retired July 1, 2015 is eligible for COLAs in January 2017.

PSRS January 2016 COLA Eligibility

Retired in 1988 and earlier	You have reached your 80% COLA cap
Retired in 1989-2014	2% COLA
Retired in 2015	Not yet eligible for a COLA

Qualified beneficiaries can also receive COLAs.

PSRS retirees are no longer eligible to receive COLAs once the total dollar amount of COLAs they have received equals 80% of their initial benefit amount (80% COLA cap).

For More Information

Your annual **Benefit Statement**, mailed in January, will contain information on your benefit amount, and will show COLA information, if you are eligible. Information on COLAs is available online by logging in to view your membership information in Web Member Services. If you are eligible for a COLA in January, that information will be available online in mid-January. You can also use the online COLA calculator to estimate the effect of a COLA on your benefit.

2016 Direct Deposit Schedule

Your benefits are paid by direct deposit on the last working day of each month. You can also find the schedule of direct deposit dates on our website, www.psrs-peers.org.

2016 Direct Deposit Schedule	
Payment for:	Will be Deposited:
January	January 29
February	February 29
March	March 31
April	April 29
May	May 31
June	June 30
July	July 29
August	August 31
September	September 30
October	October 31
November	November 30
December	December 30

Coming in January: Important Documents Regarding Your Benefits

Benefit Statements

In January, you will receive your annual **Benefit Statement**. The **Benefit Statement** is a comprehensive summary of your PSRS membership and your monthly benefit as of January 29, 2016. This important document is a record of your:

- Benefit amount
- Tax information and withholding amounts
- Benefit plan and benefit history
- Cost-of-living adjustments (COLAs)
- Beneficiary designation

IRS Form 1099-R

Your 2015 IRS Form 1099-R will also mail in January. You will need this form when filing your 2015 income tax returns.

Your annual Form 1099-R shows the total benefits you received from PSRS in calendar year 2015, the taxes withheld and the dollar amounts considered taxable income. If you have a professional tax advisor, we suggest that you make this information available for his or her review.



In late January, your 2015 *Benefit Statement* and IRS Form 1099-R will be available to view and print by logging in to your membership via Web Member Services at www.psrs-peers.org.



TAX TIP:

Are You Eligible for the Missouri Public Pension Exemption?

For tax year 2015, married couples with Missouri adjusted gross income less than \$100,000 and single individuals with Missouri adjusted gross income less than \$85,000, may deduct up to 100% of their public retirement benefits, to the extent the amounts are included in their federal adjusted gross income.

- Married couples with Missouri adjusted gross income greater than \$100,000 and single individuals with Missouri adjusted gross income greater than \$85,000, may qualify for a partial exemption.
- There is no age requirement for eligibility.
- Visit www.dor.mo.gov for more information regarding eligibility or contact the Missouri Department of Revenue at (573) 751-3505, email income@dor.mo.gov or consult a tax professional for more information.

PSRS Returns 4.5% for Fiscal Year 2015

The Public School Retirement System of Missouri (PSRS) earned an investment return of 4.5% for the fiscal year ended June 30, 2015. The total plan return exceeded the policy benchmark of 3.5% but fell short of the long-term objective (actuarial assumption) of 8%.

However, over long periods of time, PSRS continues to produce investment returns that meet or exceed the System's objective. The annualized investment return for PSRS over the last five years is 11.3%, and 9.1% over the last 30 years.



Over the long-term, PSRS investments exceed our goal of earning 8%.



The PSRS internal investment staff and external investment managers added value above the policy benchmark of over \$280 million, net of all fees and expenses in fiscal year 2015.

The outperformance was due to portfolio construction and tactical asset allocation decisions by internal investment staff (overweighting and underweighting asset classes around targets), as well as active management on the part of external managers.

PSRS maintains a diversified asset allocation of stocks, bonds, real estate, hedged assets and private equity. In the last year, the best performing asset classes for the System were private equity with a return of 9.6% and real estate, which produced a return of 14.0%.

As we begin fiscal year 2016, we are mindful of the fact that volatility in all investment markets has increased significantly. Specifically, the stock market has been on a roller coaster, experiencing declines in both August and September. It is evident there are still many obstacles for the global economy to overcome and market volatility is likely to remain elevated for some time. The steep decline in the price of oil, the downturn in the Chinese economy and the continued intervention from policymakers are all issues facing investors. We will continue to manage the PSRS assets with a focus on return but also with a keen awareness of the embedded risks.

The total market value of assets for PSRS and Public Education Employee Retirement System of Missouri (PEERS) were approximately \$38.6 billion on June 30, 2015, making the combined entity larger than all other public retirement plans in the state combined, and the 44th largest defined benefit plan in the United States.

PSRS Long-Term Investment Returns

5-Year Return	11.3%
30-Year Return	9.1%

The investment return for fiscal year 2015 was lower than expected, but far better than most other institutional investors. For example, the PSRS investment return for fiscal year 2015 exceeded 85% of the peer group as defined by the Wilshire TUCS universe of public pension plans with assets in excess of \$1 billion. Additionally, PSRS generated the fiscal year 2015 return (and longer-term investment returns) while taking less risk than approximately two-thirds of comparable public funds in the United States.

Well-Managed Public Pensions – What You Don't Hear About in the News

As a PSRS retiree, you understand the financial security that comes with lifetime monthly benefits. But not everyone understands the advantages provided by public Defined Benefit (DB) pension plans like PSRS.

Retirement Reality

The unfortunate truth is that many Americans will not enjoy financial security during retirement.

Research has shown that Americans who do not participate in pension plans are largely unsuccessful in investing for their retirement in a way that provides them with adequate retirement income. Building a successful retirement income from a Defined Contribution (DC) plan such as a 401(k) or 403(b) alone, requires investment knowledge, time and risk taking many are not comfortable with, and a level of contributions many are not disciplined enough to accomplish.



The DB Plan Difference

You made a significant contribution to your retirement for many years. As a member working in PSRS-covered employment, you enjoyed the peace of mind of knowing that your membership provided financial protection for you and your beneficiaries through survivor benefits, and disability benefits for qualified members. Once vested, you were entitled to receive lifetime monthly benefits at retirement eligibility.

Then, when you retired, you had the option to choose a benefit plan to best fit your family's financial situation.

Now, as a retiree, you can feel secure in knowing you have a steady source of retirement income that will never run out and leave you without the retirement income you need. Your PSRS retirement is there for you – you can't outlive it!

We want to take a moment to share a few facts about PSRS. Feel free to spread the word...

1. We professionally invest your funds, and those of your fellow members, to ensure they earn the best possible returns. **We do so with a lower investment risk than two-thirds of comparable pension funds.**

2. In the last five years, PSRS/PEERS has also **earned better investment returns than 75% of comparable public funds.** This has been achieved through a flexible investment strategy that keeps up with market changes and invests in a way that makes sense for today's markets, and tomorrow's.

3. Over the years as investment markets have changed, we have met the challenge. To date the Systems are over 80% pre-funded, a very healthy position for delivering on our promise of financial security for our current, and future, retirees.

Clearly, when managed well, DB pension plans work.

Fast Fact: Defined Benefit (DB) pensions like PSRS/PEERS can deliver retirement income at

about a 46% lower cost than an individual Defined Contribution (DC) account – like a 401(k) – because of the ability to pool risks and assets among members and achieve higher investment returns over the long-term.¹

¹ National Institute on Retirement Security, www.nitsonline.org



Don't Jeopardize Your Benefits! Know and Follow the Limits on Post-Retirement Employment

If you work after retirement for a PSRS-covered employer in any capacity and you want to continue to receive your monthly benefits, your hours and salary are limited.

We will send you your personal limits when you return to covered employment. If you retired on or prior to July 1, 2015, the most you can work this school year is 550 hours, with maximum earnings of 50% of the salary you would earn in the position if employed full-time for the full school year. If you retire during the school year in a month other than July, your limits are pro-rated.

You are not eligible to receive benefits beginning the month in which you exceed either limit. Benefits resume the month following the date of your last employment, or July 1 when a new school year begins.

The minimum you will forfeit is one full monthly benefit payment.

Your employer reports your hours worked and salary earned to each payroll period. However, the information we receive can be delayed. It is in your best interest to track your hours and salary, and check with your employer periodically to ensure you are tracking consistently. PSRS considers your employer's record to be official.

Keep in mind:

- Your work is limited to a part-time or temporary-substitute basis. You cannot work full-time and receive PSRS benefits.
- If you retire during the school year in a month other than July, your limits are pro-rated.
- Health insurance benefits paid by your employer for your coverage are considered salary.
- Work required by a retirement incentive and compensation received (including health insurance benefits) count toward your limits.

Do You Teach at a Public Two-Year College?

If your post-retirement work includes time teaching at a PSRS-covered public two-year college, beginning this school year you must convert the credit hours you teach to clock hours in order to track your progress against the working after retirement limit on hours worked. The simple conversion is teaching one credit hour is equivalent to working 30 clock hours. You will receive more information on the conversion formula when you return to work, along with other information on how to track your hours.



PUBLIC SCHOOL RETIREMENT
SYSTEM OF MISSOURI

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Use Web Member Services to Stay Informed About Your Membership

You can view your membership and benefit information securely online using PSRS Web Member Services at **www.psr-peers.org**. If you have not yet setup your online access, you can easily do so by creating your own unique username and password. Register for access using the login link found in the top right corner of the screen.

As a PSRS retiree, you can use Web Member Services to view and update your:

- Mailing address
- Phone number
- Email address

You will also find:

- A summary of your benefit, tax withholding and direct deposit information
- Your current beneficiary designation
- Information about cost-of-living adjustments (COLAs) and a calculator to estimate the impact of future COLAs on your benefit
- Archived ***Benefit Statements*** and IRS forms 1099-R (tax forms)

The Importance of Creating Strong Passwords

Whether you are creating a new password to login to PSRS Web Member Services, your bank, or to do some online shopping, it is important to create a unique password that is not easily deciphered or hacked by identity thieves. Although many sites now have more complex password requirements to help you, here are some widely recommended and simple tips for creating strong, secure online passwords.

1. Use 8 or more characters.
2. Use a random collection of numbers, letters (uppercase and lowercase) and symbols.
3. Don't use the same password for more than one account.
4. Don't pick something easy to guess like a pet's name, telephone number or address.
5. Change your passwords regularly.

